

**FY 2005  
ACTION PLAN**

**COMMUNITY DEVELOPMENT  
BLOCK GRANT PROGRAM**

**STATE OF ALABAMA**

**Alabama Department of Economic and Community Affairs  
401 Adams Avenue, Post Office Box 5690  
Montgomery, Alabama 36103-5690  
(334) 242-0492 • Fax (334) 353-3527 • [www.adeca.alabama.gov](http://www.adeca.alabama.gov)**

## STATE OF ALABAMA 2005 CDBG ACTION PLAN

The following policies will govern Alabama's CDBG program:

1. Let applicants compete fairly for funds to address essential community facility needs.
2. Let all communities compete equally for their varying community development needs.
3. Insure that all communities in the State can compete for funds on an equitable basis.
4. Allow for equitable competition by allowing, where feasible, small cities, large cities, and counties to compete in their respective categories.
5. Facilitate broader distribution of CDBG funds by funding a large number of applicants.
6. Facilitate funding of important economic development projects in a timely manner.
7. Encourage communities to plan for community conservation and development.
8. Give additional consideration to those communities who commit to do the most to help themselves, taking into account their level of resources.
9. Give consideration to the community's ability to maintain CDBG improvements.
10. Provide funding for large ED projects through the 108 Loan Guarantee program.
11. Assist communities, where feasible, in "welfare to work" efforts.
12. Make funding decisions, to the extent feasible, that aid local and regional plans.
13. Insure that all grants are managed in a timely and effective manner.

### FY2005 Projected Fund Allocation

<u>Total Allocated to Alabama</u>	<u>\$28,642,092</u>
County Fund	4,442,000
Large City Fund	6,000,000
Small City Fund	6,000,000
Special Fund	2,000,000
Economic Development Fund	5,000,000
Planning Fund	200,000
Community Enhancement Fund	4,040,832
State Administration	672,840
State Technical Assistance	286,420

NOTES:

1. Funds eventually allocated to the State will be apportioned approximately as shown above which will give each funding category relatively the same percentage of overall funds as presented in this Plan. Funding categories may be rounded to the nearest \$10,000.
2. Balances in any fund will either be transferred to the Black Belt Region Fund or to any other fund at the discretion of the Director. Such transfers will not count towards the five percent threshold established in the State's Citizen Participation Plan.
3. Balances in the State's Technical Assistance Fund and the State's Administration Fund may be transferred to the "Recapture Fund" at the discretion of the Director. Such transfers will not count toward the five percent threshold established in the State's Citizen Participation Plan.
4. All recaptured funds (other than program income as defined by regulations) will be placed in a "Recapture Fund". Any funds awarded via a Governor's/ Director's award letter which are rescinded due to a grantee's failure to satisfy a condition in the State's Letter of Conditional Commitment may be considered recaptured funds if a significant amount of time has lapsed. (This footnote does not include funds returned as the result of an ED float loan; please see the section on ED float loans for a description of how the return of those funds will be handled.) Persons interested in the amount of Recapture Fund money available may inquire to ADECA in writing for this information.
5. Approximately \$240,000 in Program Income is expected to be available during the course of this program year. The exact amount will depend on the rate of pay off, defaults, and early settlements, but the money will generally be used to fund economic development projects. Persons interested in the amount of ED Funds and Program Income available may find out at any time by inquiring in writing. If the State's Letter of Credit is used by HUD to make payments on Section 108 Loans, the State will utilize program income, recaptured funds, and other available funds to insure that all commitments from the State are met. Recaptured funds, program income, and other funds may also be used to make payments on, or provide credit toward Section 108 Loan Guarantee projects and/or float loan projects.
6. Reallocated funds from HUD will be assigned to the most appropriate Fund by the Director and distributed in accordance with the methodology described in the Action Plan.
7. The State recognizes the applicant's right to retain program income within acceptable limits to the extent that the income is applied to continue the activity from which such income was derived.

## METHODS OF ALLOCATION

The State's Community Development Block Grant money will be allocated as shown on the preceding page and as described below. The Economic Development, Planning, 108 Loan Guarantee, Community Enhancement, and

Special Funds may be applied for by all non-entitlement governments. The Competitive Funds will be divided into three allotments: Counties, Large Cities, and Small Cities. Any community competing for Economic Development, Planning, 108, Community Enhancement, and/or Special CDBG Fund(s) will not be excluded from competing for funding from the applicable Counties, Large Cities, or Small Cities Fund. The application submission dates for these funds will be announced during the CDBG workshops or through other appropriate widely distributed public notifications.

#### COUNTY FUND

This fund is a reservation of money for county governments to be awarded on a competitive basis. Eligible applicants are all counties, except Jefferson and Mobile, that meet eligibility requirements listed under Thresholds.

#### LARGE CITY FUND

This fund is a reservation of money for the State's larger municipalities to be awarded on a competitive basis. Eligible applicants are all non-entitlement cities with a population of 3,000 or more that are not members of the Jefferson or Mobile County consortiums, and which meet eligibility requirements listed under Thresholds.

#### SMALL CITY FUND

This fund is for the State's small cities/towns to be awarded on a competitive basis. Eligible applicants are all cities or towns with a population under 3,000 that are not members of the Jefferson or Mobile County consortiums, and which meet eligibility requirements listed under Thresholds.

#### ECONOMIC DEVELOPMENT FUND

This fund is to assist activities necessary for economic development projects. Economic Development projects are those based on job creation or retention. These funds will be allocated on a continual basis. Applications may be submitted anytime during the program year. Eligible applicants are all non-entitlement local governments that meet eligibility requirements listed under Thresholds.

#### SECTION 108 LOAN GUARANTEES

This is a chance for communities to seek through the Secretary of HUD, loan guarantees for the purpose of financing economic development activities as permitted in Title I of the Housing and Community Development Act of 1974, as amended. The State will not obligate for guarantees more than \$10,000,000 per project, nor more than the HUD established limit per year. In those instances

where there is an exceptional economic impact, then a waiver on the ceiling may be granted. The State may use the ED Fund, the Recapture Fund, program income, or other funds to provide credit toward and/or make payments on Section 108 Loan Guarantee projects.

### PLANNING FUND

Planning funds will be awarded to those local governments who demonstrate the need for local planning. These funds will be available on a continual basis and eligible applicants are all non-entitlement local governments that meet the eligibility requirements listed under Thresholds.

### SPECIAL FUND

This Fund is a reservation of money to provide funding for eligible CDBG activities which are necessary to address situations that pose threats to public health and safety or otherwise provide urgent need improvements for which there appear to be no local resources available. Eligible applicants are those local governments that meet the eligibility requirements listed under Thresholds.

### COMMUNITY ENHANCEMENT FUND

This fund is a reservation of money to provide funding for eligible CDBG activities necessary to address activities that enhance the quality of life in a manner beyond providing for the most basic and essential needs as has generally been done through competitive funds. Eligible applicants are non-entitlement local governments who meet applicable thresholds.

### RECAPTURE FUND

This fund will consist of any funds returned to the State during the program year, except program income as defined by applicable regulations. The Director, at his discretion, will transfer an appropriate amount of Recapture Fund to the Black Belt Region Fund as well as assist eligible and fundable projects from any of the fund categories listed above. The Recapture Fund may also be used to meet State commitments caused by 108 Loan underpayments or nonpayment of float loans. Money from the Recapture Fund will be awarded based on the criteria applicable to each individual fund. It is estimated that the State will receive approximately \$1,000,000 for this year.

In addition to the above, the Recapture Fund may also be used to amend grants from any prior or current year grant when warranted by the circumstances presented to ADECA in the grantee's amendment request. Such amendments may cause the original grant to exceed formerly applicable grant ceilings if necessary to satisfactorily address project needs and national objectives. Factors to be considered when evaluating such requests are: (1) positive impact

(on low and moderate income persons or other national objectives) to be expected if the amendment is approved, versus negative impact if the amendment is not approved; (2) efforts of grantee to address circumstances requiring amendment before requesting an amendment from ADECA; (3) economic distress of grantee as presented in the amendment request; and (4) other extenuating or unusual circumstances which may have caused the request.

#### BLACK BELT REGION FUND

This Fund is designed to assist projects in twelve counties of the Black Belt Region of the State. These counties include Bullock, Choctaw, Dallas, Greene, Hale, Lowndes, Macon, Marengo, Pickens, Perry, Sumter and Wilcox. Up to \$1.5 million will be made available from Recapture Fund and other transfers. The Director may transfer balances from other Funds listed above that are either not required or are not sufficient to fund an entire project or the majority of the project applied for within those funds.

No separate applications will be required for the Black Belt Region Fund. Instead, the unsuccessful applications received from the twelve black belt counties, including communities within those counties, for all other funds will be considered under this Fund. Award considerations for these projects will no longer be constrained by rating of these projects under individual Funds. The award of projects will be based primarily upon the impact these projects will have on the community and the region. The State will exercise necessary discretion as to allow minor alteration of designs and grant requests to maximize benefit for the region.

#### STATE ADMINISTRATIVE FUND

This fund is a reservation of money for effective management of the CDBG program by the State and funds will be matched on a dollar for dollar basis, except for the \$100,000 that does not have to be matched. Any uncommitted Administrative Fund may be reallocated to another fund.

#### STATE TECHNICAL ASSISTANCE FUND

This fund is a reservation of money for the provision of technical assistance to the communities of Alabama desiring more effective participation in the State's block grant program.

#### GRANT CEILINGS AND MINIMUMS

Figures shown below establish general ceilings and minimums on the amounts that may be requested. Consideration in the award of grants will be given to the size of the community requesting funds and to the requirements of the proposed

project. An applicant must recognize that requesting the maximum grant amount allowable will not always be appropriate.

<u>Planning Fund</u>	\$50,000 Ceiling
<u>Special Fund</u>	\$50,000 Minimum/\$350,000 Ceiling
<u>Community Enhancement Fund</u>	\$50,000 Minimum/\$250,000 Ceiling

<u>County Fund</u>	\$400,000 Ceiling
<u>Small City Fund</u>	\$400,000 Ceiling
<u>Large City Fund</u>	\$500,000 Ceiling
<u>108 Loan Guarantees</u>	\$10,000,000/Maximum

#### Economic Development

	Minimum	Maximum
ED Grants	\$35,000	\$200,000
ED Incubator	-	\$250,000
ED Loans	-	\$250,000
ED Float Loans	\$1,000,000	\$10,000,000

#### THRESHOLDS

The following thresholds will apply to communities that wish to apply for FY2005 funds.

1. No application for a Competitive grant will be accepted from an applicant with any open Competitive grant as of March 31, 2005; nor will a Competitive application be accepted from an applicant with any open Planning Fund grant funded from FY02 or earlier moneys that was awarded in calendar year 2002 or earlier as of March 31, 2005; or Community Enhancement or Special Fund grant funded from FY03 or earlier moneys that was awarded in calendar year 2003 or earlier as of March 31, 2005.
2. No application for a Special Fund grant will be accepted from an applicant with any open Special Fund grant at the time of the application; nor will a Special Fund application be accepted from an applicant with any open grant, other than an Economic Development Fund grant, funded from FY02 or earlier funds that was awarded in calendar year 2002 or earlier at the time of the application. The Director may provide a waiver from the threshold for Special Fund applications designed to address a need having a particular urgency of recent origin that poses a serious and immediate threat to the health and welfare of the community.
3. No application for a Community Enhancement Fund grant will be accepted from an applicant with any open Community Enhancement grant at the time of



the application; nor will an Enhancement Fund application be accepted from an applicant with any open grant, other than an Economic Development Fund grant, funded from FY02 or earlier moneys that was awarded in calendar year 2002 or earlier at the time of the application.

4. No application for a Planning Fund grant will be accepted from an applicant with any open Planning Fund grant at the time of the application; nor will a Planning Fund grant be accepted from an applicant with any open grant funded from FY02 or earlier moneys that was awarded in calendar year 2002 or earlier at the time of the application.

\*\*(Where eligibility for "competitive" grants is concerned, acceptable closeout documents which require no changes must have been received by ADECA by March 31, 2005 for the grant to be considered closed out. State policies concerning funds retained for administrative/engineering costs will be considered when determining grant closeout dates.

\*\*\* (Grants funded by special HUD allocations to address circumstances such as disasters will not prohibit jurisdictions from applying for FY2005 CDBG funds.)

5. A unit of government may not apply if it has an unresolved audit finding involving disallowed costs as the result of a determination made by a private audit, an ADECA financial review, or ADECA CDBG staff monitoring. (A waiver may be provided in cases where the Director has reviewed a grantee's proposed response and has determined that repayments due the State are secured by an appropriate security instrument, stream of income, or other adequate measures.)

6. A unit of government may not apply if it owes the State or Federal government money as the result of determinations made by a private audit, or as the result of determinations made by an ADECA financial review or ADECA CDBG staff monitoring. (A waiver may be provided in cases where the Director has determined that repayments due the State are secured by an appropriate security instrument, stream of income, or other adequate measures.)

7. A proposed project must stand alone to serve the proposed beneficiaries without the need for additional funds that are not shown in the application, unless the other necessary funds are known of and verifiable by the State. (Any other funds shown in the application must be verifiable by the State.)

8. Applicants must demonstrate the ability to maintain any facilities funded under the CDBG Program.

9. An applicant must not have been deemed by the State to lack capacity to carry-out a CDBG project.

10. An applicant's regular program must benefit at least 51 percent low and moderate income persons, unless it is a housing rehabilitation program in which case the beneficiaries must be 100 percent low and moderate income.

11. Applications for the Planning Fund must present thorough evidence showing how the activity will address one of the national objectives applicable to planning grants.

(For any issue or subject not addressed in this Action Plan, or in the case of conflicting issues, the Director will make a final ruling based on the precedents, established practices, or otherwise what is in the best interest of the State.)

## APPLICATIONS FOR COUNTY, LARGE CITY AND SMALL CITY FUNDS

### COMPETITIVE PROCESS

CDBG funds allocated to the County, Large City, and Small City Funds will be distributed through a competitive process. The competitive applications may contain one or more activities that are designed to address single or multiple needs. The project may take a comprehensive scope designed to revitalize an identified project area, be a stand-alone activity to address a specific need, or may undertake two or more activities in a general project area that together enhance the scope of the project by way of cost efficiency, project visibility, public welfare or other reasons.

The aim of the competitive process is to compare all applications in the same funding category to each other within the framework of criteria set up to judge the merits of community development activities. This entails assigning points based on how well an application addresses each rating criterion. To insure that the competitive process is fair and even handed, all applications must be submitted by a specific cut-off date and no changes may be made in an application after its submission to the State. The State may request clarification of the proposal that in no way affects the substance of the application.

### CRITERIA FOR RATING COMPETITIVE GRANTS

All counties, large cities, and small cities will compete for funds from a respective category, i.e. County Fund, Large City Fund, and Small City Fund. All applications will be rated for a maximum score of 300 points. Applications will be funded in order of decreasing score until funds in a given category are exhausted. The criteria for rating applications will be as follows:

Jurisdictional Need/Distress	
a. Absolute number in Need	30 Points
b. Percent in Need	50 Points
Cost/Benefit Ratio	60 Points
Nature of Benefits	125 Points
Match	20 Points
Percent Benefit to LMI	<u>15 Points</u>
Total	300 Points

### EXPLANATION OF RATING CRITERIA

#### Jurisdictional Need/Distress

a. Absolute number of persons in need - This factor will be derived for each jurisdiction based on the 2000 Census data regarding the number of persons in a jurisdiction living in households having incomes of less than 80 percent of the statewide median income.

b. Percent of persons in need - This factor will be derived for each jurisdiction based on the 2000 Census data regarding the percent of households having incomes of less than 80 percent of the statewide median income.

Need factor points will be derived separately for Small Cities, Large Cities, and Counties on both a. and b. Need factor points for cities that were not incorporated during the time the Census was taken will be computed based on the best available information.

Cost/Benefit Ratio - This is the measure of project cost per beneficiary, and the scoring will be based on a comparison of the applicant's cost per beneficiary for each activity to the base level ratio. A level ratio base of \$3,000 for all public facilities, \$12,000 for housing, and \$14,500 for relocation, has been established. Applicants with ratios at or below these levels for each activity will receive maximum points for these activities. The point score will be based on the weighted average of the activity cost of all proposed activities. The cost beneficiary ratio will be computed based only on the requested CDBG dollars.

Nature of Benefits - This criteria will allow evaluation of the applicant's project as viewed from the standpoint of a number of considerations. These will be factors such as essentialness of the proposed project, direct versus indirect benefits, the extent to which community needs are served, maintenance capacity, long-term impact of the project, appropriateness of request for CDBG funds, local efforts committed to the project subject to local capacity, provision of hook-ups for low and moderate income households involving water and sewer projects, utility rates, innovative approaches to addressing needs, cost effectiveness of activity(s), urgency/criticalness, CDBG funds requested, citizen participation, community's designation as an empowerment or renewal community, etc.

Match - This consists of local or private funds other than State and Federal grants that the applicant is proposing to use in the project. Such funds may

consist of local cash match, in-kind efforts, etc. Scoring will be based on the applicant's ratio of Local and Private Funds versus the CDBG dollars as indicated in the scale below. (In the case of a private dollar match the applicant must submit a resolution verifying that the applicant will make up any shortfall in private funds pledged as "local and/or private funds." Such resolution must specifically describe the nature of public improvements to be made in support of the CDBG activity if the private money does not materialize.)

#### Scale for Awarding Match Points

(Stated in Terms of Local Funds/CDBG Funds)

Percent of Local Funds/CDBG Funds = Points Awarded

i. e. 1% Match = 2 Points Awarded, 2%= 4 Points .....10%=20 Points.

\*In jurisdictions determined by the Census Bureau to have 1,000 or less persons in 2000, no match will be required and 20 points will be awarded in this category.

Benefit to Low and Moderate Income Persons - The applicant will be awarded up to 15 points for the percent of low and moderate income persons served by the project based on the following scale. On multi-activity projects, the State will determine the points using a weighted average based on the number of beneficiaries for all activities. Activities such as hook-ups, street patching, acquisition, etc. will be considered part of the respective primary activity.

#### Scale for Awarding Points for LMI Benefits

51% - 55% LMI                      0 points

Thereafter, 1 point for each additional 2 percent LMI, not to exceed 15 points.

The actual rating forms that will be used to score competitive applications will be publicly available at the CDBG application workshop. All eligible cities and counties will be notified by mail about the date, time and place the CDBG application workshop will be held.

#### APPLICATIONS FOR THE SPECIAL FUND

The purpose of the Special Fund is to allow the State the flexibility to fund important projects that deal with health and safety needs or otherwise address urgent needs for which there appear to be no local resources available. Eligible applicants for the fund are all non-entitlement local governments who meet applicable thresholds. Applications for the fund will be accepted soon after the application workshop until the announced cut-off date, and grant announcements may be made anytime during the program year at the discretion of the State. However, no eligible jurisdiction may submit more than one application. The only exception is if one of the applications is of an emergency nature as provided for under the national CDBG objective of meeting community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community. Any applicant

proposing new water or new sewer extensions is required to hook up all interested low and moderate income households in the project area subject to cost and other factors. The Special Fund applications will be reviewed by staff for compliance with the National Objective and eligibility thresholds and will include factors such as:

1. Apparent degree of need for project, i.e., criticality or urgency of threat to health, safety, or welfare of residents.
2. Project description.
3. Cost reasonableness of the proposed activity.
4. Capacity for operations and maintenance.
5. Financial feasibility of the project.
6. Local match.

The staff evaluations will consist of two independent reviews comprised of a 0-5 point scale where “0” indicates that the project is ineligible for one or more reasons, “1” indicates a weak project and “5” indicates a very strong project. This grading will serve as a guide for selection of projects although the Director may vary from the evaluations when a particularly strong need is perceived. The grant ceiling for the Fund is \$350,000 but may be waived by the Director in extremely rare cases involving situations and/or needs that merit exceptions. The minimum grant that may be applied for is \$50,000.

The fund will require a project specific local match equal to or exceeding 10 percent of the CDBG request. This amount may be waived for projects when the applicant’s population, based on the 2000 Census, was 1,000 or less and the applicant lacks the financial capacity to provide the match. Also in the case of grants made to provide relief to victims of disasters, no match will be required.

#### APPLICATIONS FOR THE COMMUNITY ENHANCEMENT FUND

The purpose of the Community Enhancement Fund is to allow the State the flexibility to fund important projects without requiring them to go through the competitive rating process. The fund can be used to provide funding for eligible activities that communities consider important to enhance the community in a manner beyond providing for the most basic and essential needs, or for any other eligible CDBG activity. Examples of activities include facilities for fire protection, emergency 911 telephone service, senior centers, boys and girls clubs, recreational facilities, removal of architectural barriers, historic preservation, and community centers. Eligible applicants for the fund are all non-entitlement local governments who meet applicable thresholds. Application for the fund may be made at any time during the year until the announced cut-off date. However, no eligible jurisdiction may submit more than one application.

During the course of the program year, the State may set aside a reasonable amount of the Community Enhancement Fund to carry out specific activities such

as the renovation of senior centers. The purpose of such a decision will be to enhance the effectiveness of the Fund usage. The projects to be considered from such set-aside will be subject to the same requirements as other Community Enhancement Fund projects.

### Evaluation Criteria

The Community Enhancement applications will be reviewed by staff for compliance with the National Objective and eligibility thresholds and will include factors such as:

1. Assessment of need for project.
2. Importance of activity to community.
3. Clarity of benefit to low and moderate income persons or limited clientele.
4. Project description.
5. Financial feasibility.
6. Cost reasonableness.
7. Capacity for operation and maintenance.
8. Local match.

The staff evaluation will generally be used to guide the selection of the projects although the Director may vary from the staff evaluation when a particularly strong need is perceived. The staff evaluation will consist of two independent reviews comprised of a 0-5 point scale where "0" indicates that the project is ineligible for one or more reasons, "1" indicates a weak project and "5" indicates a very strong project.

A grant ceiling of \$250,000 and a minimum grant request of \$50,000 has been established for the Fund. The Director may waive either.

The Fund will require a project specific local match equal to or exceeding 10 percent of the CDBG request. This amount may be eliminated for projects when the applicant's population, based on the 2000 Census, was 1,000 or less and the applicant lacks the financial capacity to provide the match.

### APPLICATIONS FOR THE PLANNING FUND

The purpose of the Planning Fund is to assist communities having a need for comprehensive or other planning. Eligible plans include comprehensive plans, elements of comprehensive plans, downtown revitalization plans, eligible components of regional studies, or other strategies and studies important to sound and effective community growth and development. The ceiling for these grants will be \$50,000 with a provision for a waiver, although applications requesting smaller amounts will be viewed more favorably unless a very substantial need or opportunity is demonstrated. A cash match of 20 percent of the project cost will be required. However, for jurisdictions of 1,000 or less

population (as determined by the 2000 Census) when the applicant lacks the financial capacity, the match may be waived. Applications will be considered on a continual basis until the cut-off date. The grant awards will be made based on the following considerations.

#### Evaluation Considerations

1. How the proposed project will contribute to principally benefiting low and moderate income persons, or how the proposed project will contribute to aiding in the prevention of slums and blight.
2. Need and urgency of planning activities proposed. (The State reserves the right not to fund a project if need or urgency is not clearly demonstrated and if the amount requested is not appropriate for the plan or the size of the planning area involved.)
3. How the proposed project will contribute to the development of a planning process which will serve as a guide for orderly and/or consistent growth and community development.
4. How the proposed project will aid in, or contribute to the involvement or creation of various community groups, advisory councils, planning/zoning districts, redevelopment authorities etc., in the ongoing planning process.
5. Amount of funds requested relative to the size of the community, complexity of the proposed elements, and the final product. (This consideration will be particularly important where larger grant requests are involved.)
6. Prior year grants received as well as implementation of prior planning efforts.

#### APPLICATIONS FOR THE ECONOMIC DEVELOPMENT FUND

The purpose of the Economic Development Fund (ED Fund) is to allow the State to fund activities necessary to take advantage of economic development opportunities that would result in the creation or retention of jobs. In addition to FY2005 money allocated for the ED Fund, approximately \$1,000,000 is expected in program income from earlier loans that will be available for funding of ED projects. Also the CDBG Float Loan will be covered in this section on Applications for Economic Development, since Float Loans will be used only for economic development. However, funds used for short-term grants or float loans will come from all categories of grants. The ED projects will be funded under four distinct categories which are: 1) ED Grants; 2) ED Loans; 3) ED Float Loans; and 4) ED Incubators.

The eligible ED projects will be generally funded in the order they are received, regardless of the category under which they fall. Eligible applicants for ED grants, loans, and float loans are all non-entitlement local governments, provided other applicable thresholds are met. The applicable grant ceilings and minimums for ED projects will be as cited earlier in the section on grant ceilings. The rules and requirements which will govern ED grants, loans, and float loans are spelled out under respective headings in the following paragraphs.

## ED GRANTS

Eligible applicants may apply for ED grants to provide land, facilities, and infrastructure such as water lines, sewer lines, rail spurs, docks, cranes, access roads, etc. to facilitate creation and/or retention of jobs by a new or existing business. The eligible applicants may also apply for grants to assist a public, private, nonprofit, or such other entity including a business in support of an economic development project that will result in the creation of jobs, including jobs for unemployed, under-employed, and recipients of welfare assistance. The State will exercise maximum flexibility and maximum controls in considering activities that will have a direct and significant impact on the creation of jobs. The assistance to public, private, or any such entity may be in the form of a grant, loan, or deferred payment loan and may pay for activities eligible under the CDBG Program including day care and related facilities, transportation, and operations. A grant ceiling of \$200,000 and a floor of \$35,000 will apply. Applications may be submitted anytime during the program period and applications will be funded on an "as needed" basis. The State will maintain the right to deny funding of any application during the program period depending on the quality of the project or the results of past projects; or considerations such as labor supply, wage levels, environmental effects, etc. The State may waive the \$200,000 grant ceiling if the merit of the project shows a significant long-term economic benefit for the State.

In rare and exceptional cases, the state may award an ED grant using ED Fund, Recapture Fund, program income, or other funds in support of Section 108 Loan Guarantee projects. ED grants may be used toward loan payments, debt retirement, and other eligible purposes. The amount and appropriateness of such grants may take into consideration factors such as the size of the project, magnitude of local support, overall impact, and unique features associated with the project. Projects involving such grants will be governed by Section 108 requirements and may be granted exemptions from the ED Threshold requirements.

Threshold requirements for the ED grants are listed below. These thresholds are in addition to overall thresholds listed earlier in the Action Plan.

### Thresholds

1. The proposed activities must be associated with the location of a new business or an expansion of an existing business generally creating 15 or more jobs. (Projects proposing job retention will generally not qualify for ED grants unless, in the opinion of the State, significant job losses will have a long-term detrimental effect on the community and low and moderate income people.) For projects involving job creation (or retention) without a capital expansion, the State may disregard such expansion requirement if, in the opinion of the State,



significant economic impact and benefit to low and moderate income persons merit such a decision.

2. The applicant must have a commitment from the business to create and/or retain jobs as described in the application.

3. The project must generally fall in the SIC Code 20 through 39, or consist of major warehousing or distribution centers, or such other activities having a prospect of significant economic impact.

4. At least 51 percent of the project beneficiaries specified in the application must be persons of low and moderate income.

5. The project must include a local match of at least 20 percent of the requested ED grant. This amount may be eliminated for projects when the applicant's population, as determined by the 2000 Census, was 1,000 or less and the applicant lacks the financial capacity to provide the match. (Under extremely extenuating circumstances, the Director may provide a waiver to the local match requirement.)

6. The proposed project must not involve intrastate relocation of a business, except when such relocation may have been necessitated due to inadequacies associated with the existing location and a move to a new location will result in a greater number of jobs.

7. Grants from the CDBG ED fund will not be made in cases where construction of the private facility has already started prior to grant award or the earliest possible date of Release of Environmental Conditions by ADECA. If such start is unavoidable, a waiver may be granted if a request is made to ADECA to do so prior to the start of any construction activity at the project site.

#### Evaluation Criteria

Applications for ED grants will be considered on a continuous basis. Such applications will be reviewed for conformance with the thresholds and the funding decision will be guided by the following factors:

1. Importance of the proposed activities to the location or expansion of a business.
2. Number and certainty of proposed jobs.
3. Proposed local match.
4. Scope of a new business or expanding business, i.e., products, product markets, current or projected employment and payroll, labor skills required.
5. Urgency of proposed activities.
6. Importance of the project to further welfare reform objectives.

## ED INCUBATOR PROJECTS

The State will provide assistance to eligible communities from the ED Fund to support incubator projects. For the purposes of the State program, an “Incubator” is “a building and program operated either by a private entity, a nonprofit organization, or a unit of local government for the primary purpose of aiding fledgling businesses in their efforts to survive and grow during the first 3 to 5 years of existence. Such aid may come in the form of subsidized floor space, equipment, professional services, or other assistance viewed as appropriate by the State.” Eligible applicants may apply for ED Incubator grants anytime during the program period. A grant ceiling of \$250,000 will apply. The State will maintain the right to deny funding of any incubator project depending on the quality and/or certainty of the proposal.

### Thresholds

Threshold requirements listed earlier in the Action Plan will apply to all incubator projects.

### Evaluation Criteria

Factors to be considered in evaluating the worthiness of “Incubator” proposals will be:

1. Criteria or system to be set up by an “Incubator” program to assure that 51 percent of the beneficiaries of the program are low and moderate income persons.
2. Desirability of Incubator site
  - a. Proximity to a metropolitan area or other center of economic activity
  - b. Accessibility of jurisdiction
  - c. Accessibility of site
  - d. Quality and suitability of structure or proposed structure
  - e. Level of infrastructure serving site
3. Evidence of Local Support
  - a. Financial
  - b. Professional
  - c. Other
4. Feasibility of Program
  - a. Clarity of Program
  - b. Certainty that program will be carried out for specific period
  - c. Background and credentials of personnel in program
  - d. Nature of program

## ED LOANS

Eligible applicants may apply for ED funds anytime during the program period to make loans to private businesses for locating or expanding in the community and creating or retaining jobs for low and moderate income persons. ED loans can be used for purchasing land, buildings and equipment, site improvements, construction or renovation of buildings, operating capital, or any other CDBG eligible activity. A reasonable percentage of an ED loan project may be a grant to cover administrative costs. Deferred payment loans will have a write-off provision. Loans made from the CDBG Revolving Loan Fund will be governed by the same requirements as loans from the CDBG ED Fund. ED funds used by communities to make loans to private businesses will have a payback requirement. The determination as to the local government's disposition of the proceeds of repayment of loans will generally be made at the time an ED loan is funded. As required by Section 104(j) of the Housing and Community Development Act, the State will, as part of all application reviews, recognize the applicant's right to retain program income to the extent such income is applied to continue the activity from which such income was derived. The repayments may be allowable to the regional commissions/councils to be used for similar purposes if they are determined to be nonprofit organizations serving the development needs of the communities in non-entitlement areas. A grant ceiling of \$250,000 will apply to applications requesting ED loans, although there is a waiver provision. The State will maintain the right to deny funding of any application or activity during the program period depending on the quality of the loan, or appropriateness of the proposed project; or the capacity of the community to undertake such a project. Threshold requirements for the ED loans are listed as follows and are in addition to overall thresholds listed earlier in the Action Plan.

### Thresholds

1. The proposed activities generally must be associated with an economic development project creating and/or retaining permanent jobs.
2. The proposed project must not involve intrastate relocation of a business, except when such relocation may have been necessitated due to inadequacies associated with the existing location and a move to a new location will result in a greater number of jobs.
3. The applicant must have a commitment from the business to create or retain jobs.
4. Beneficiaries of ED fund projects must be at least 51 percent low and moderate income persons.

### Evaluation Criteria

Applications for ED loans will be considered on a continuous basis. Each application will be reviewed for conformance with the thresholds and other

regulatory requirements. The following factors will be considered in making funding decisions:

1. CDBG dollars per permanent job.
2. Leverage ratio (private dollars as compared to CDBG dollars).
3. The actual number of permanent jobs to be created or retained.
4. Potential for spin-off benefits.
5. Job diversification.
6. Loan pay-back/collateral.

### ED FLOAT LOANS

ED Float Loans are short-term loans which will be made out of appropriated, but unexpended, CDBG program funds (such funds may be from any fiscal year) that may have been allocated to specific program activities. The purpose of ED Float Loans is to allow the State to fund activities necessary to take advantage of economic development opportunities, which will principally benefit low and moderate income persons. Funds used for short-term loans will come from all categories of grants. A reasonable amount of program income or recaptured fund may be used to provide a grant to administer a float loan. As loans are repaid, the repayment of principal will be used to restore all funds from which the moneys initially came, while the interest will generally be used to increase the State's CDBG ED Fund. (As indicated above under the Section on ED Loans, the State will recognize the local government's right to retain program income when such income is to be applied to continue the activity from which the income was derived.) The amount of funds available for the "float loan program" will be determined by careful monitoring of the fund flow needs of the CDBG program. Because the State recognizes that the "float loan" program entails some risk, each request will be analyzed on the basis of the need of grants previously funded. Float loans will be made only after it has been determined, to the maximum extent possible, that the amount and term of any float loan will not commit the state's letter of credit balance to the degree that other previously funded grants are delayed or jeopardized. Float Loans may come from more than one year's funds with the amount from one year being less than the minimum. Eligible applicants for ED float loans are all non-entitlement local governments that meet eligibility thresholds listed earlier. The Float Loan program will be governed by the following requirements:

#### Program Objective

A primary objective of the float loan program is to expand economic opportunities, principally for persons of low and moderate income. Normally, the program will be used only to aid in the creation of new jobs and on projects where there is likely to be a substantial economic development impact. In exceptional circumstances the float loan program may be used to help retain jobs. Of the jobs to be created (or retained), at least 51 percent must be

occupied by or made available to low and moderate income persons. If float loans are made in order to retain jobs, the applicant must clearly demonstrate that, without CDBG assistance, the jobs would be lost.

#### Eligible Activities

The float loans can be used to finance any necessary activity including acquisition, site preparation, new construction, renovation, purchase of machinery and equipment, working capital, refinancing, and other CDBG eligible activities approved by the State.

#### Loan Amounts and Terms

The minimum loan amount shall be \$1 million and the maximum loan amount shall be \$10 million. The maximum and minimum loan amounts may be waived by the State when significant long-term economic benefits for low and moderate income persons are involved. The loan term will normally be for one year with an option to extend for one more year. Interest earned on float loans will be treated as program income and will be used for CDBG eligible activities.

#### Evaluation Criteria

Applications for ED float loans will be considered on a continuous basis. However, due to the unique nature of this program, the State intends to fund only a limited number of projects. Prior to accepting any application, the State will require a thorough review of the project with the State. Float Loan funding decisions will be based on the following factors:

1. Conformance with the national objective.
2. Loan security (Loan security shall be in the form of an irrevocable letter of credit or such other security acceptable to the State).
3. Number of jobs involved.
4. Private investment.
5. Unemployment/community distress.
6. Job diversification.
7. Indirect/spin-off benefits.

### SECTION 108 LOAN GUARANTEES

The purpose of Section 108 Loan Guarantees is to provide communities with an opportunity to seek loan guarantees to finance economic development activities as permitted in Title I of the Housing and Community Development Act of 1974, as amended. Guarantees must be approved by the Secretary of HUD. The applicable ceiling is \$10,000,000 per project with a waiver provision. No more than the HUD established limit will be committed annually. Eligible applicants are all non-entitlement communities who meet the thresholds listed earlier in the Action Plan as well as those thresholds listed below. For projects with significant

economic impact, the State may use the ED Fund, Recapture Fund, program income, or other funds to grant an appropriate amount toward Section 108 Loan Guarantee payments and for debt retirement.

### Thresholds

1. The proposed activities generally must be associated with an economic development project creating and/or retaining permanent jobs.
2. The proposed project must not involve intrastate relocation of a business, except when such relocation may have been necessitated due to inadequacies associated with the existing location and a move to a new location will result in a greater number of jobs.
3. The applicant must have a commitment from the business to create (or retain) jobs and make private investment as described in the application. In those instances where a business has not yet been identified, then the applicant must commit to create a certain number of jobs within a specified amount of time acceptable to the State.
4. Beneficiaries of Section 108 Loan Guarantee projects must be at least 51 percent low and moderate income persons.

### Evaluation Criteria

Applications for Section 108 Loan Guarantees will be considered on a continuous basis, since opportunities for economic development may arise at any time. Loans will be evaluated in accordance with 24 CFR Part 570, the Section 108 Final Rule, along with consideration being given to:

1. Section 108 dollars per permanent job;
2. Actual number of jobs to be created or retained;
3. Potential for spin-off benefits.

### ELIGIBLE ACTIVITIES

Eligible activities under the State CDBG program are all activities listed as eligible under the Housing and Community Development Act of 1974, as amended.

### ESTIMATED FUNDS FOR ACTIVITIES BENEFITING LOW AND MODERATE INCOME PERSONS

The Housing and Community Development Act requires that the State furnish its citizens with "the estimated amount (of funds) proposed to be used for activities that will benefit persons of low and moderate income." The State estimates that at least 80 percent of its FY2005 CDBG funds will be used for activities that primarily benefit low and moderate income persons. The remaining funds are anticipated to be used for the prevention or elimination of slums and blight (such

as the Planning Fund grants), and to assist communities with imminent threats to public health and safety when no other financial resources are available.

#### ALABAMA'S INTERIM PLAN FOR MINIMIZING DISPLACEMENT FROM USE OF CDBG FUNDS

The Housing and Community Development Act requires that the State furnish citizens with its "plans for minimizing displacement of persons as a result of activities assisted with such funds and to assist persons actually displaced."

1. Minimizing Displacement: The State will discourage applicants from designing programs that involve extensive displacement. Applicants should displace persons and businesses only when there is no reasonable alternative to accomplishing the purposes of their program. The State's rating system addresses the higher costs of programs which involve displacement by making more expensive solutions to problems less competitive.
2. Persons Actually Displaced: Applicants shall plan for the probability of displacement in program design by requesting sufficient funds to accommodate the costs of displacement. Grantees shall provide from CDBG, or their own resources, for the reasonable costs associated with all displacement necessary to carry out the purposes of the grantee's program.